

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 L-02 SAJ-01

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 7859

INFO AMEMBASSY MOSCOW

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY SOFIA

AMEMBASSY WARSAW

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY VIENNA

AMCONSUL MUNICH

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E.O. 11652: N/A

TAGS: PINT, PFOR, CZ

SUBJECT: PRIME MINISTER'S SPEECH TO FEDERAL ASSEMBLY

REF: A) PRAGUE 655 (NOTAL) B) PRAGUE 657 (NOTAL)

1. SUMMARY: IN ANNUAL ADDRESS MAR 25 BEFORE COMBINED SESSION  
CZECHOSLOVAK LEGISLATURE, CSSR PRIME MINISTER LUBOMIR STROUGAL  
PROVIDED "STATE OF THE UNION" WRAPUP OF CZECHOSLOVAK ECONOMIC AND  
POLITICAL ACHIEVEMENTS AND PROSPECTS. ONLY UNUSUAL NOTE WAS  
VEILED WARNING TO FRG THAT NORMAL RELATIONS RESERVED FOR FUTURE,  
RATHER THAN ALREADY REALIZED AS RESULT OF 1973 TREATY. STROUGAL'S  
REFERENCES TO US-CSSR HANGUP OVER CLAIMS WERE MODERATE AND  
POSITIVE. END SUMMARY

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2. THRUST OF STROUGAL'S REMARKS ON DOMESTIC MATTERS WAS TWO PART: TO DEMONSTRATE CSSR ADVANCES IN INDUSTRIAL DEVELOPMENT, AGRICULTURE AND HOUSING DURING CURRENT FIVE YEAR PLAN, AND TO REEMPHASIZE PROBLEM AREAS HAMPERING ECONOMIC PROGRESS--LOW EFFICIENCY, WASTE, AND POOR MANPOWER UTILIZATION. PRIME MINISTER'S REFERENCES TO EFFECTS OF INFLATION IN WEST UPON COSTS OF PRODUCTION AT HOME CARRIED FAMILIAR THEME THAT VIRTUES OF STATE PLANNING AND OWNERSHIP OF PRODUCTION MEANS INSURED THAT BURDEN OF RAW MATERIALS PRICE INCREASES WOULD NOT BE PASSED ON TO INDIVIDUAL CONSUMERS ("WORKERS"); AS PROOF, STROUGAL NOTED THAT STATE SUBSIDIES USED TO MAKE UP SHORTFALL IN PRODUCTION COSTS-- ALLOWING RETAIL PRICES TO REMAIN LEVEL--JUMPED FROM 6 BILLION CROWNS IN 1973 TO 18 BILLION IN 1974. POSITIVE FUTURE COURSE FOR CZECHOSLOVAKIA'S ECONOMY LAY IN CLOSE COORDINATION WITH OTHER COMECON COUNTRIES: "A SUITABLE AND EFFECTIVE STRUCTURE OF ECONOMY CAN BE BUILT...ONLY WITHIN THE FRAMEWORK OF THE INTERNATIONAL SOCIALIST COMMUNITY."

3. TURNING TO FOREIGN POLICY, STROUGAL PAID TRIBUTE TO PRINCIPAL ROLE OF USSR IN PROMOTING DETENTE, RENUNCIATION OF FORCE, AND ECONOMIC COOPERATION AMONG STATES WITH DIFFERENT SOCIAL SYSTEMS. HE ALSO STRESSED NEED FOR INCREASED VIGILANCE IN PRESENT ERA WHICH IS MARKED BY RESURGENCE OF FASCISM SPAWNED BY WESTERN INFLATION AND UNEMPLOYMENT. STROUGAL CALLED FOR CSCE SUMMIT AT "VERY BEGINNING OF THIS YEAR'S SUMMER," AND NOTED THAT MBFR TALKS REFLECTED "COMPLICATED ISSUE" OF REDUCTION OF TENSION IN MILITARY SPHERE. MBFR REFERENCE NOTABLE LACKED STANDARD CSSR ATTRIBUTION OF RESPONSIBILITY FOR LACK OF PROGRESS TO WESTERN PARTICIPANTS.

4. ON BILATERAL MATTERS, STROUGAL NOTED THAT RELATIONS WITH USSR HAD--IN ALL SPHERES--REACHED HIGHEST QUANTITATIVE AND QUALITATIVE LEVEL IN THEIR HISTORY. ON TIES WITH FRG HE APPEARED TO HEDGE A BIT, NOTING THAT "ALL PREREQUISITES WILL EXIST FOR... RELATIONS TO BE GOOD" PROVIDED FRG "CONSISTENTLY PROCEEDS FROM CONCEPTION OF ITS EASTERN POLICY," SPIRIT AND LETTER OF WHICH ANCHORED IN DOCUMENTS CONCLUDED IN 1970-1973 PERIOD. RELATIONS WITH AUSTRIA GIVEN NEW IMPULSE BY RECENTLY SIGNED CLAIMS AGREEMENT AND "WITH GOOD WILL ON BOTH SIDES," AGREE-LIMITED OFFICIAL USE

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MENT PAVES WAY TO FULL NORMALIZATION.

5. ON US-CZECHOSLOVAK RELATIONS (TEXT THIS PORION TRANSMITTED PRAGUE 655), STROUGAL NOTED LONG-GRAVEL AMENDMENT REQUIRING RENEGOTIATION OF CLAIMS AGREEMENT AND RESUBMISSION TO CONGRESS AS PART OF TRADE AGREEMENT, AND PRECLUDING RETURN OF CZECHOSLOVAK GOLD UNTIL SUCH AGREEMENT APPROVED BY CONGRESS. HE ALSO NOTED "FURTHER DISCRIMINATORY TERMS" OF TRADE ACT

WHICH GOC REGARDS AS "POLITICALLY UNACCEPTABLE." HE EXPRESSED EXPECTATION, HOWEVER, THAT "COMMON SENSE" AND "REALISTIC APPROACH" WILL PREVAIL AND LEAD TO REVERSAL OF OFFICIAL US ATTITUDE.

6. COMMENT: IN REFERENCE TO CZECHOSLOVAK-FRG RELATIONS, EMBASSY DETECTS SIGNAL OF GOC AWARENESS OF, AND DISPLEASURE AT, FRG RETREAT FROM PREVIOUS OSTPOLITIK, OR AT LEAST A LOWERING OF ITS PRIORITY ON FRG'S SHOPPING LIST. CZECHOSLOVAK PRESS HAS THUS FAR BEEN CAREFUL TO AIM ITS CURRENT WAVE OF ANTI-GERMAN CRITICISM TO TWO DIRECTIONS ONLY-- NAZI HORRORS OF WWII AND ALLEGED RESURGENCE OF FASCISM (READ STRAUSS) IN FRG. STROUGAL REMARKS, HOWEVER, MAY SERVE TO PUT FRG ON NOTICE THAT IMPROVED RELATIONS WITH CZECHOSLOVAKIA WILL REQUIRE MORE THAN LIP SERVICE TO 1973 TREATY.

7. AS EMBASSY HAS ALREADY NOTED, WE FOUND STROUGAL'S REFERENCES TO US-CZECHOSLOVAK RELATIONS TO BE MODERATE AND POSITIVE AND FOREIGN MINISTER CHNOUPEK VIEWS THEM IN SAME LIGHT (PRAGUE 657). OTHER LOCAL OBSERVERS CONCUR IN THIS ASSESSMENT. END COMMENT.  
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